

2208 Mount Vernon Ave  
Alexandria, VA 22301

(703) 684-6931  
(703) 548-9367 (fax)

June 25, 2008

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Association of Government Accountants (AGA) Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the exposure draft (ED) of the proposed Statement of Federal Financial Accounting Concepts (SFFAC), *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*. The FMSB, comprising 23 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

#### Responses to the Question in the ED

The Statement identifies a process and criteria to consider in deciding whether information should be considered basic information, required supplementary information or other accompanying information (See the section, Distinguishing Basic Information, RSI, and OAI, beginning on page 13 of the exposure draft).

- a. Do you agree with the process presented? If not, please explain your reasons.

**Answer:** Although we support the intent of this ED to clarify the differences between required information and other accompanying information, the way the criteria used are presented may cause some confusion. The fact that determining the difference between basic and required supplementary information rests solely with those parties that have the authority to establish GAAP should be more clearly and definitively detailed. This fact becomes slightly obscured in the discussion within paragraph 73D and 73E where the factors to consider are referenced. This paragraph appears to recognize an individual's use of these factors to determine the differences between this information and opens up the possibility of an individual to use their personal judgment to dispute what information is presented. These subjective factors should not be exposed to interpretation by anyone outside the authoritative structure of standard setting. In fact, the "Factors to Consider in Distinguishing Basic Information From RSI" in Table 1 are written in such a way as to allow someone to judge what the board is thinking instead of clearly reserving the board's opinion related to these factors. Other than this confusion we fully support the board describing their considerations when making these determinations subject to the comments below.



b. Do you agree with the factors presented for distinguishing basic information from required supplementary information (See Table 1: Factors to Consider in Distinguishing Basic Information from RSI)?

**Answer:** Generally, the factors convey important thought processes that should be considered by any standard-setting body and are reasonable. We do think that the factors are subject to interpretation. Based on a person's knowledge and experience, different conclusions could be drawn as to whether it is Basic Information or RSI. We suggest that the board consider defining some specific examples of Basic Information to aid interpretation. Also, we suggest that the document include some examples as to what could constitute "low" or "high" on "Factors to consider in distinguishing basic information from RSI."

Factor 4 (Level of importance the Board wishes to be communicated in the financial report) and Factor 6 (Level of importance the Board wishes to be communicated in the auditor's report) both list "the Board" as the controlling factor in distinguishing RSI from Basic Information. Is the intent for the Concept Statement to be a common foundation for board deliberations but not for use by other users, auditors or preparers? This seems inconsistent in approach from all other standards. We suggest the board consider replacing the term Board with entity or auditor as appropriate.

Factor 13 (Benefit/cost ratio of using resources to ensure accuracy) should be expanded to include "using resources to compile the information as well as to ensure the accuracy of the information."

Also, several factors contain ambiguities that are difficult to understand and define. We are noting these individually as follows:

"Level of importance the Board wishes to be communicated in the financial report"

Level of importance is very difficult to understand because the board would not have even considered an agenda item unless it was important to understanding the financial statements. In addition, how does one convey importance in the basic or required supplementary information? We present facts and other information that will assist in understanding the data not its importance.

"Level of importance the Board wishes to be communicated in the auditor's report"

The board does not set level of importance for auditors but does draw scrutiny by requiring information to be presented. This importance may be better stated as requirements defined in a standard are reviewed and validated by the audit scrutiny that ensures compliance with the requirements in standards.

"Extent to which the information interests a wide audience (rather than specialists)"

This factor is virtually impossible to ascertain or define. Reporting should always use ease of understanding by non-specialist and any approach developed for specific technical audiences has no place in widely published government documents.

"Agreement on criteria that permit comparable and consistent reporting"

Although this is an admirable factor it is very difficult to determine and develop while setting standards as many elements of standards are based upon judgment and estimates. These judgments and estimates have been practiced for many years now and comparability and consistency have proven difficult in many of the existing standards especially when you consider the government-wide consolidated reports. In fact, this intent should be pursued aggressively in the technical agenda item related to reviewing all existing standards.

Are there additional factors that should be considered? If so, what are they, and how would you describe them?

**Answer:** No, but we do not see a clear and definite tie-in for this information with SFFAC 1, *Objectives of Federal Financial Reporting*, related to the objectives of federal financial reporting such as it assists in the understanding of budget integrity, operating performance, stewardship and systems and control. We suggest that the document include a discussion of this if possible.

#### Other Comments

1. Throughout the ED there are references to the Statement of Financing which is no longer called that or even considered a statement in OMB Circular A-136, *Financial Reporting Requirements*. In the June 3, 2008 revision to A-136, on page 33, it states that, "Effective in fiscal year 2007, the Statement of Financing is presented in note 42 (per OMB's authority under SFFAS#7) and is no longer considered a basic statement."
2. The paragraphs should be renumbered before reissuing due to deletion of several paragraphs.
3. Paragraph 9, page 13, regarding the proposed additions to paragraph 55 of SFFAC2 when it is amended by this final statement – We note the comment at the end of 55A that categories of information such as of RSI and OAI may be "integrated" and labeled "unaudited." Just because they are labeled "unaudited" does not mean that there is no risk or that no work is required to evaluate risk. Auditors do distinguish between differing levels of procedures performed on the two types of information even if neither is "audited." What are the costs and benefits of "integration?" What is intended by the Board here? We suggest that the Board include clarification in the final statement.

We very much appreciate the opportunity to comment on the ED. No member objected to the issuance of this comment letter. We would be pleased to discuss this letter with you at your convenience. If you have questions, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or (703) 562-0087.

Sincerely,



Robert L. Childree, Chair  
AGA Financial Management Standards Board

cc: Richard L. Fair, CPA  
AGA National President

**Association of Government Accountants  
Financial Management Standards Board**

**July 2007 – June 2008**

Robert L. Childree, Chair  
Katherine J. Anderson  
Eric S. Berman  
Irwin T. David  
Thomas (Bert) Fletcher  
Donald Geiger  
Jeff Green  
Joanne W. Griggs  
David C. Horn  
David R. Hancox  
Patrick F. Hardiman  
Albert A. Hrabak  
Simcha Kuritzky  
Valerie A. Lindsey  
Jeffrey A. Long  
Marie A. Maguire  
Edward J. Mazur  
Dianne Mitchell McKay  
Craig M. Murray  
Sharon R. Russell  
Clarence L. Taylor, Jr.  
Roger Von Elm  
Andrew C. West

Relmond P. Van Daniker, Executive Director, AGA (Ex-Officio Member)  
Anna D. Gowans Miller, Technical Manager, AGA, Staff Liaison